

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04  
CEA-01 /080 W  
-----116176 061738Z /47

R 061639Z SEP 77  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 1670  
INFO AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE

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USOECN ALSO FOR EMBASSY; ALSO FOR USEEC

E.O. 11652: N/A  
TAGS: EIND, ELAB, LU, BE, EC  
SUBJECT: RODANGE-ATHUS AGREEMENT ANNOUNCED

REF: (A) LUXEMBOURG 666; (B) BRUSSELS 10570,  
(C) BRUSSELS 10845

1. SUMMARY. PRIME MINISTER TINDEMANS AND FOUR MEMBERS  
OF HIS CABINET HELD A PRESS CONFERENCE IN BRUSSELS  
SEPTEMBER 4 TO ANNOUNCE WHAT AMOUNTS TO AN INTERIM  
SETTLEMENT OF THE RODANGE-ATHUS (MMRA) STEEL PROBLEM  
(SEE REFTELS). THE BELGIAN-LUXEMBOURG GOVERNMENT AGREE-  
MENT BASICALLY PROVIDES FOR: (A) INITIAL RESTRUCTURING  
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OF OPERATIONS AT BOTH SITES; (B) THREE-MONTH DELAY OF  
A FINAL DECISION ON MMRA REORGANIZATION; (C) SEPARATE  
BELGIAN AND LUXEMBOURG PROGRAMS TO DEAL WITH REDUNDANT  
LABOR (2,100 JOBS) CAUSED BY THESE CHANGES. AS REPORTED  
IN PREVIOUS MESSAGES, THE MMRA DECISIONS MAY PROVE  
IMPORTANT AS AN EARLY INDICATION OF HOW BOTH THE EC AND  
MEMBER STATES WILL BE APPROACHING FUTURE REFORM OF OTHER

AND LARGER STEEL PROBLEMS IN THE COMMUNITY. END SUMMARY.

2. ACCORDING TO THE JOINT BELGIAN-LUXEMBOURG GOVERNMENT COMMUNIQUE AND ASSOCIATED PRESS STORIES, THE AGREEMENT REACHED CONTAINS A NUMBER OF MAIN ELEMENTS, WHICH ARE DETAILED BELOW.

3. INTERIM RESTRUCTURING. CURRENT OPERATIONS AT RODANGE (LUXEMBOURG), I.E. BLAST FURNACE AND ROLLING MILL, WILL CONTINUE. AT ATHUS IN BELGIUM, ALL FURNACE AND MILL ACTIVITIES WILL CEASE EXCEPT FOR A RESIDUAL SINTER PLANT, A SLAG GRINDER AND REINFORCING BAR TWISTERS, JOBS WHICH WILL EMPLOY ONLY A MAXIMUM OF 200 PEOPLE. EVEN THIS LEVEL OF ACTIVITY AT BOTH SITES IS ONLY GUARANTEED UNTIL THE END OF THIS YEAR, HOWEVER. THE TWO GOVERNMENTS WILL ENSURE THAT MMRA HAS SUFFICIENT OPERATING CAPITAL (ABOUT BF 680 MILLION) FOR THE NEXT FOUR MONTHS THROUGH A DEBT AND TAX MORATORIUM, INCREASED CAPITAL INPUTS FROM THE FIRM'S BELGIAN OWNERS, AND A BELGIAN GOVERNMENT ADVANCE OF AT LEAST BF 200 MILLION. REPRESENTATIVES FROM BOTH GOVERNMENTS WILL OVERSEE THE COMPANY'S OPERATIONS DURING THIS PERIOD.

4. THESE REPRESENTATIVES WILL ALSO PARTICIPATE WITH THE COCKERILL AND ARBED STEEL FIRMS, EC REPRESENTATIVES, AS WELL AS THE U.S. BUSINESS CONSULTANCY FIRM MCKINSEY AND CO., IN A STUDY TO DETERMINE THE "SYNERGIES" OF STEEL LIMITED OFFICIAL USE

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PRODUCTION FACILITIES THROUGHOUT BELGIUM, LUXEMBOURG AND PART OF FRANCE (I.E., COCKERILL-OWNED PLANTS IN THE LORRAINE BASIN). (THIS STUDY WAS ACTUALLY MANDATED BY THE BELGIAN TRIPARTITE DECISIONS ON STEEL LAST MARCH AND IS ALREADY NEARING COMPLETION.) THE MCKINSEY STUDY IS TO PROVIDE, BY DECEMBER 1, 1977, THE BASIS FOR A PERMANENT REORGANIZATION OF MMRA ALONG WITH FINAL DECISIONS ON THE ACTIVITIES TO BE CARRIED ON AT RODANGE-ATHUS IN 1978 AND BEYOND--AND THUS, THE ULTIMATE LEVEL OF EMPLOYMENT POSSIBLE AT THE TWO SITES. IF THE PARTNERS IN THE STUDY CANNOT AGREE, THE TWO GOVERNMENTS ARE TO IMPOSE A SOLUTION BY JANUARY 1, 1978.

5. THE IMMEDIATE EMPLOYMENT EFFECT OF THESE DECISIONS IS A LOSS OF 700 JOBS AT RODANGE (LABOR DEEMED TO BE SURPLUS EVEN IN PRESERVING THE PLANT'S CURRENT ACTIVITIES), AND 1,400 JOBS AT ATHUS. THE TWO GOVERNMENTS HAVE AGREED THAT ALL OF THE NEWLY JOBLESS AT RODANGE, MOST OF WHOM WILL BE BELGIAN NATIONALS, WILL BE COMPENSATED UNDER A SPECIAL MMRA "ANTI-CRISIS" DIVISION COMING UNDER THE GRAND DUCHY'S STATUTES AND FINANCIAL RESPONSIBILITY. THE JOBLESS AT ATHUS WILL HAVE THE CHOICE OF EARLY RETIREMENT

(FOR THOSE ELIGIBLE), JOINING A SPECIAL "JOB CELL",  
OR ACCEPTING DISMISSAL WITH THE NORMAL COMPENSATION FROM  
THE FIRM, THE EUROPEAN IRON AND STEEL COMMUNITY AND THE  
BELGIAN UNEMPLOYMENT SYSTEM. THE NEW ELEMENT IN THIS  
ARRANGEMENT, THE "JOB CELL", WILL BE A NON-PROFIT ORGANI-  
ZATION MANAGED JOINTLY BY THE GOB AND BELGIAN LABOR UNIONS.  
IT WILL SEARCH FOR WORK FOR THE NEWLY JOBLESS IN THE BEL-  
GIAN PROVINCE OF LUXEMBOURG WHILE GUARANTEEING ITS  
ADHERENTS 100 PERCENT OF CURRENT SALARY IN THE FIRST YEAR,  
90 PERCENT IN THE SECOND YEAR AND 80 PERCENT IN THE THIRD  
(AND PROJECTED FINAL) YEAR OF ITS OPERATION. THE CELL IS  
TO BE AIDED BY A NEW "DIVERSIFICATION SOCIETY" TO BE MADE

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UP OF THE TWO GOVERNMENTS, COCKERILL AND ARBED, WHICH  
WILL TRY (WITH POSSIBLE EC FINANCIAL HELP) TO DEVELOP NEW  
INDUSTRIAL ACTIVITIES IN THE REGION, PARTICULARLY IN DOWN-  
STREAM METALLURGICAL PRODUCTS.

6. COMMENT. NEGOTIATIONS TOWARD THIS INTERIM SETTLEMENT  
PROVED VERY DIFFICULT. BELGIAN-LUXEMBOURG RELATIONS WERE  
CLEARLY STRAINED LAST WEEK; PRIME MINISTER THORN EVEN TOOK  
THE UNUSUAL STEP LAST THURSDAY OF ISSUING THE BELGIANS

A PUBLIC WARNING OF THE POLITICAL CONSEQUENCES OF  
FAILURE TO RESOLVE THE ISSUE. THE BILATERAL GOVERNMENT  
COMMUNIQUE GOES TO SOME PAINS TO SMOOTH MATTERS OVER,  
EVOKING THE "SPIRIT OF SOLIDARITY AND RECIPROCAL  
UNDERSTANDING CHARACTERIZING BELGIAN-  
LUXEMBOURG RELATIONS."  
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7. THE COMMUNIQUE ALSO ACKNOWLEDGES THE HELP OF THE  
EC COMMISSION (IN THE PERSON OF COMMISSIONER DAVIGNON)  
IN RESOLVING THE NEGOTIATIONS; THE DECISIONS ANNOUNCED  
ARE FULLY IN KEEPING WITH THE COMMISSION'S WISHES,  
ACCORDING TO THE COMMUNIQUE, AND THEIR IMPLEMENTATION  
IS TO HAVE THE COMMISSION'S FULL SUPPORT. TO THE EXTENT  
THAT RODANGE-ATHUS WAS A TEST CASE OF DAVIGNON'S STEEL  
OBJECTIVES, HIS POLICY THUS APPEARS TO HAVE EMERGED  
STILL ON TRACK. THE EXPERIENCE ALSO DEMONSTRATES,  
HOWEVER, THE COST OF SUCH OPERATIONS TO MEMBER STATES;  
BELGIAN RESPONSIBILITY FOR LOANS, GRANTING OF TAX  
RELIEF AND SUPPORT OF THE NEWLY JOBLESS IN THIS  
RELATIVELY MINOR AFFAIR, STILL ONLY PROVISIONALLY  
RESOLVED, WILL COST THE GOVERNMENT AN ESTIMATED ONE  
BILLION BF OVER THE NEXT YEAR.

8. THIS MESSAGE COORDINATED WITH EMBASSY LUXEMBOURG.  
CHAMBERS

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Type:** TE  
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